

Message Text

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FM AMEMBASSY LISBON

TO SECSTATE WASHDC PRIORITY 1276

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E.O. 11652: N/A

TAGS: ABLD AFSP PFOR

SUBJ: NEW LISBON CHANCERY

REF: LISBON 5528

1. IN REF TO BUILDING F REFTEL, EMBASSY WAS VISITED DECEMBER 17 BY AGENTS FOR GRUPO EMPRESARIAL GRAO-PARA, THE OWNERS OF BUILDING. GRAO-PARA IS HOLDING COMPANY WITH LARGE INVESTMENTS IN HOTEL AND OTHER TOURIST-ORIENTED REAL ESTATE IN PORTUGAL. LIKE BIP AND TORRALTA, THE LARGEST COMPANIES THIS TYPE IN PORTUGAL, GRAO-PARA APPEARS TO BE IN SERIOUS FINANCIAL TROUBLE. AFTER TALKING FOR THREE HOURS WITH AGENTS ON DEC 17, WE HAD IMPRESSION THAT THEY ARE IN IMMEDIATE NEED OF CASH TO STAVE OFF DISASTER PARTICULARLY IN THEIR MADEIRA OPERATIONS. DURING MEETING WITH AGENTS, WE MENTIONED POSSIBILITY OF BUYING GRAO-PARA PROPERTY BUT ALSO SAID THAT WE WERE INTERESTED IN BUYING OTHER PROPERTIES AS WELL AS VERY INTERESTED IN LONG-TERM LEASE WITH OPTION TO BUY. AGENTS BALKED AT MENTION OF LONG-TERM LEASE AND BECAME PARTICULARLY RETICENT AT MENTION OF OPTION TO BUY AT LATER, UNCERTAIN DATE. WE ADDED, HOWEVER, THAT SHOULD SALE PRICE OF 156 MILLION 400 THOUSAND ESCUDOS (DOLS 6.33 MILLION) BE REDUCED, DECISION TO BUY MIGHT BE MADE EASIER FOR USG. RATE USED: DOL ONE EQUALS 24.70 ESCUDOS.

2. MORNING OF DECEMBER 18, AGENTS RETURNED TO EMBASSY WITH NEW SALE PRICE OF 150 MILLION ESCUDOS (DOLS 6.07 MILLION). WE HAVE GUT FEELING THAT THIS MAY NOT BE LAST PRICE. WE ALMOST CERTAIN THAT COUNTER OFFER OF DOLS 6 MILLION WOULD BE ACCEPTED AND THAT

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THEY MIGHT BE WILLING TO ACCEPT DOLS 5.9 MILLION. ALL THIS,

OF COURSE, IS PURE SPECULATION, BASED ON FACT THAT OWNERS REDUCED PRICE WITHIN 24 HOURS BY OVER QUARTER MILLION DOLLARS. DURING SECOND VISIT, GRAO-PARA REPS CONFIRMED IN VEILED TERMS THAT COMPANY IS IN DEEP FINANCIAL TROUBLE AND NEEDS IMMEDIATE CASH. THEIR REACTION TO LONG-TERM LEASE WITH OPTION TO BUY IS VERY NEGATIVE AS WERE FIRST REACTIONS OF AGENTS OF OTHER 5 BUILDINGS MENTIONED TO DEPT. INFLATION, POLITICAL UNCERTAINTIES, PARTICULARLY THE RECENT JAILING OF DIRECTORS OF TORRALTA AND BIP, RUMORS OF ESCUDO DEVALUATION AND DIFFICULTY IN OBTAINING CONSTRUCTION LOANS ALL ADD UP TO THE FACT THAT LEASES DO NOT APPEAR ATTRACTIVE TO USUALLY CONSERVATIVE OWNERS.

3. COMPANY'S FINANCIAL PROBLEMS WOULD APPEAR TO BE FURTHER CONFIRMED BY THE FACT THAT BUILDING F WAS ORIGINALLY INTENDED TO BE GRAO-PARA HEADQUARTERS. NOW, THEY NEED MONEY MORE THAN A NEW BUILDING. THE OUTSTANDING DESIGN, CONSTRUCTION AND LOCATION ATTEST TO THE FACT THAT BUILDING F WAS TO BE A GRAO-PARA SHOWCASE. AN EXAMPLE OF FINE CONSTRUCTION IS FACT THAT THERE ARE TWO CENTRAL HEATING/AIR CONDITIONING SYSTEMS WHICH CAN BE USED SINGLY OR IN TANDEM. BUILDINGS A THROUGH E ALL HAVE INDIVIDUAL WINDOW UNITS FOR HEAT/COOLING. THE MAINTENANCE PROBLEMS CAUSED BY SUCH AN ARRANGEMENT WOULD REQUIRE THE HIRING OF ONE OR TWO ELECTRICIANS.

4. ALTHOUGH BUILDING C LOOKED PARTICULARLY ATTRACTIVE IN THE BEGINNING, NOW THAT WE HAVE SEEN BUILDING F, WE BELIEVE THAT LATTER'S SIZE (OVER 58,000 SQUARE FEET OF USABLE OFFICE SPACE PLUS PARKING FOR 120 CARS), ITS LOCATION, ITS IMMEDIATE AVAILABILITY, THE FACT THAT IT IS FREE-STANDING AND ITS RELATIVELY VERY LOW PRICE OF DOLS 6 MILLION (AS OPPOSED DOLS 10 MILLION FOR BUILDING C) MARK IT AS THE CHOICEST BUILDING AVAILABLE NOW OR IN THE NEAR FUTURE.

5. GRAO-PARA REPS OBVIOUSLY ANXIOUS TO MAKE DEAL, BUT WE INFORMED THEM AND ALL OTHER REAL ESTATE AGENTS THAT NEW AMBASSADOR DUE TO ARRIVE SOMETIME JANUARY AND THAT HE WOULD WANT TO MAKE HIS OPINION KNOWN TO FBO ON MATTER AFTER HIS ARRIVAL. WE ALSO TRIED TO EXPLAIN ROLE OF FBO (FUNDING, ARCHITECTURAL STUDIES, ETC.).

6. WE WERE INFORMED THAT OTHER CONCERNS INTERESTED IN PURCHASING LIMITED OFFICIAL USE

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BUILDINGS A AND F. WE DO NOT KNOW IF THIS IS TRUE, BUT EMBASSY URGES DEPT'S EXPEDITIOUS CONSIDERATION OF THESE TWO BUILDINGS. SCOTT

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